

Message Text

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SUBJECT: FARE REDUCTION PROPOSALS

1. SUMMARY: THERE HAS BEEN IN PAST WEEK A FLOOD OF PRESS REPORTING ON AVIATION FARES, WITH EXTENSIVE COVERAGE GIVEN TO PROPOSALS OF FREDDIE LAKER, QANTAS, AND A NEWLY FORMED GROUP OF AUSTRALIAN BUSINESSMEN. MINISTERIAL STATEMENT IN PARLIAMENT SUGGESTS MAJOR SHIFT IN GOVERNMENT'S POSITION AS TO WHICH COMES FIRST: LOW FARES OR FULL CAPACITY. END SUMMARY.
 2. FREDDIE LAKER, IN INTERVIEW WITH AUSTRALIAN, STATED HE WOULD SUBMIT TO AUSTRALIAN GOVERNMENT ON MARCH 7 A PROPOSAL FOR ROUND-TRIP, OFF-PEAK FARE TO LONDON OF A DOLS 530, MID-SEASON FARE OF A DOLS 702, AND HIGH SEASON FARE OF A DOLS 834. THIS COMPARES WITH PRESENT OFF-PEAK FARE OF A DOLS 850 AND HIGH SEASON FARE OF A DOLS 1150. NOVEL ELEMENT IS THAT PLANES BRINGING EUROPEANS TO AUSTRALIA IN EUROPEAN OFF-PEAK SEASON WOULD TAKE AUSTRALIANS ON RETURN TRIP AT PEAK PRICES. AS SEASONS CHANGED, FARES WOULD REVERSE.
 3. LAKER PROPOSAL WOULD REQUIRE ONLY 30 DAYS ADVANCE PAYMENT INSTEAD OF PRESENT 90 DAYS UNDER SUPER APEX FARE. MINIMUM STAY REQUIRED WOULD BE ONLY 7 DAYS, AND HOLIDAY PACKAGE FOR SEVEN DAYS WITH ACCOMMODATIONS WOULD BE AVAILABLE AT OFF-SEASON RATE OF A UNCLASSIFIED
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- DOLS 635.
4. QANTAS WITH BRITISH AIRWAYS HAS REPORTEDLY MADE A SUBMISSION TO INTERNATIONAL AVIATION POLICY REVIEW COMMITTEE STATING IT COULD FLY PASSENGERS TO LONDON FOR A DOLS 550-600 ROUND-TRIP BY BLOCKING OUT A THIRD-CLASS, PART-CHARTER SECTION IN REAR OF AIRCRAFT ON ITS SCHEDULED FLIGHTS. PRESENT 100 SEATS IN REAR

SECTION WOULD BE EXPANDED BY UP TO 120 SEATS. PASSENGERS WOULD PROBABLY BUY TICKETS 90 DAYS IN ADVANCE AND WOULD NOT BE ALLOWED TO STOP OVER ON WAY. FEWER MEALS MIGHT ALSO BE SERVED.

5. QANTAS IS REPORTED TO BELIEVE CHEAP FARE WOULD GENERATE 10 PERCENT MORE TRAFFIC, OR 30,000 PASSENGERS A YEAR. QANTAS ALLEGEDLY ALSO CLAIMS THAT SUCH A SYSTEM WOULD BE MORE DIFFICULT ON OTHER ROUTES, THOUGH IT IS REPORTEDLY PROPOSING SUCH A SYSTEM ON PACIFIC ROUTES TO U.S. AT SAME TIME, IT IS REPORTED AS HAVING WARNED GOVERNMENT THAT ENTRY OF CONTINENTAL WOULD CAUSE CHEAP FARES TO BE RULED OUT.

6. THIRD GROUP, A TEAM OF AUSTRALIAN BUSINESSMEN WHOSE NEWLY FORMED COMPANY IS CALLED PASSENGER AIR CHARTER ENTERPRISES, REPORTEDLY ALSO HAS MADE A SUBMISSION TO POLICY REVIEW COMMITTEE. IT WISHES TO OPERATE WEEKLY CHARTER FLIGHT TO LONDON, FOR PRICE OF A DOLS 575. BOOKINGS WOULD BE MADE 45 DAYS IN ADVANCE AND A MINIMUM STAY OF 21 DAYS WOULD BE REQUIRED. COMPANY PROPOSES TO BUY OR LEASE JUMBO JETS FROM QANTAS.

7. AN INDICATION OF GOVERNMENT'S THINKING ON FARES, PARTICULARLY ON PACIFIC FARES, WOULD SEEM TO HAVE BEEN PROVIDED BY EDUCATION MINISTER CARRICK IN SENATE MARCH 8, RESPONDING ON BEHALF OF MINISTER FOR TRANSPORT TO A QUESTION WITHOUT NOTICE REGARDING CONTINENTAL AIRLINE APPLICATION TO FLY PACIFIC ROUTE. IN COURSE OF AN OBJECTIVE REVIEW OF AUSTRALIAN AND AMERICAN UNCLASSIFIED

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POSITIONS, CARRICK STATED, "THE GOVERNMENT'S PRIME CONCERN IS TO SEE AIR FARES REDUCED ACROSS THE BOARD AND WITHOUT DISCRIMINATION. THE ONLY WAY TO ACHIEVE THIS RESULT CONSISTENT WITH HIGH SAFETY FACTORS WHICH WE HAVE TODAY IS TO FILL THE EMPTY SEATS... THE GOVERNMENT BELIEVES THAT THE FIRST THING TO DO IS TO LOWER THE FARES OF EXISTING CARRIERS TO TRY TO REDUCE THE NUMBER OF EMPTY SEATS."

8. COMMENT: PERHAPS MOST FASCINATING ASPECT OF RAPIDLY EVOLVING AIR FARE SITUATION IS ITS DEMONSTRATION OF ECONOMIC FORCES OF COMPETITION OPERATING IN CLASSICAL MANNER. LOWEST FARES CAN OBVIOUSLY BE OFFERED BY THAT AIRLINE WHICH CAN FILL HIGHEST PERCENTAGE OF ITS SEATS. HOWEVER, IN MARKET CHARACTERIZED BY ABSENCE OF FREEDOM OF ACCESS, OPTIMUM POSITION FOR EXISTING CARRIERS IS A HIGHER FARE STRUCTURE AND CORRESPONDINGLY LOWER LOAD FACTOR. THUS, INCENTIVE FOR FARE REDUCTIONS HAS COME FROM AN OUTSIDE FORCE, WHICH IN CASE OF LONDON FARE IS FREDDIE LAKER AND IN CASE OF PACIFIC FARE IS CONTINENTAL.

9. AUSTRALIAN GOVERNMENT POSITION, AS ENUNCIATED BY SENATOR CARRICK, CONSTITUTES A LIMITED BUT NEVERTHELESS SIGNIFICANT DECLARATION OF ACCEPTANCE OF MERITS OF COMPETITIVE FARES. IT IS

UNYIELDING, HOWEVER, IN ITS REJECTION OF THE COMPETITIVE
PRESENCE, CONTINENTAL, WHICH HAS HELPED TO ENCOURAGE THE LOWER
FARE PROPOSALS.
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